



Administrator
Washington, DC 20201

OCT 17 2002

Mr. Ray Hanley, Director
Arkansas Department of Human Services
Division of Medical Services
P.O. Box 1437, S401
Little Rock, AR 72203-1497

Dear Mr. Hanley:

We are pleased to inform you that your July 18, 2002, application for a TEFRA-like section 1115 demonstration has been approved as project number 11-W-00163/6 for the period of 5 years, beginning with the enrollment of the first demonstration participant. The approval is under authority of section 1115(a)(2) of the Social Security Act (the Act). In addition, sections 1916 and 1902(a)(14) relating to premiums and cost-sharing will not apply to this demonstration population.

This approval will permit Arkansas to implement a sliding-scale premium for families with children who have a substantial disability and who would otherwise qualify for Medicaid under section 134 of TEFRA, if such a Medicaid Eligibility Group were included in its Medicaid State Plan.

We have carefully considered the policy issues involved in your application. We conclude that the demonstration you propose has potential to promote the objectives of title XIX and demonstrate methods of access, service delivery, or administration that has potential added value that the Centers for Medicare & Medicaid Services (CMS) or other states may wish to consider for the future.

In particular, the proposal would demonstrate a premium-based method of implementing the TEFRA option designed to be affordable to families. Such a demonstration may be useful to determine methods to: (a) increase the attractiveness of the TEFRA option for the majority of states that have not yet adopted it, or (b) render such optional coverage more affordable for other states facing substantial budget shortfalls.

The proposal may also demonstrate a method of ensuring payment of premiums and promoting retention of private insurance, while seeking to avoid undue hardship. Finally, the proposal would retain the same eligibility approach as the State Plan option (i.e. no artificial numerical caps on the number of enrollees), thereby preserving both (1) its value in demonstrating alternate methods of administering the TEFRA option, and (2) conformance with the SCHIP maintenance of effort (MOE) statutory requirements.

In regard to the MOE required under SCHIP, we find that the TEFRA-like demonstration will employ the income and resource standards and methodologies for determining eligibility as those used under the TEFRA State Plan option. There is no cap on the number of participants in this demonstration. Therefore, on a policy basis MOE is not violated. Similarly, we find that the demonstration's prohibition on dropping private health insurance does not constitute "... more restrictive income and resource standards and methodologies." Therefore, on a policy basis, there is no violation of the SCHIP MOE requirement.

The potential for this demonstration to inform Arkansas, other states, and CMS with regard to methods by which the Medicaid program might be improved will depend on a viable research and evaluation plan. Therefore we are requiring, as a condition of this approval, that the State undertake an evaluation and that the state also cooperate with any Federal evaluation that CMS may sponsor.

Please be advised that a State Plan Amendment (SPA) is required if the State is to remove the current optional TEFRA group from the Arkansas Medicaid State Plan in order to implement the demonstration. Such an SPA must have an effective date to match the demonstration implementation. Please contact the Dallas regional office for assistance in submitting your SPA.

Our approval of this TEFRA-like demonstration (and the Federal matching authority provided for thereunder) is contingent upon the State's agreement to the evaluation requirement, mentioned above, and to other special terms and conditions. The special terms and conditions also set forth in detail the nature, character, and extent of Federal involvement in this project. The award is subject to our receiving your written acceptance of the award within 30 days of the date of this letter.

All requirements of the Medicaid program expressed in law, regulation, and policy statement, not expressly waived or identified as not applicable in this letter, shall apply to the TEFRA-like demonstration.

Subject to approval of your protocol, as described in the special terms and conditions of approval, under the authority of section 111 5(a)(2) of the Act, expenditures made by the State under the Arkansas TEFRA-like demonstration for the items identified below (which are not otherwise included as expenditures under section 1903) shall, for a period of 5 years, beginning with the enrollment of the first demonstration participant, be regarded as expenditures under the State's title XIX plan:

Expenditures for services provided to children 18 years of age or under, who would require institutional level of care, and could otherwise be Medicaid eligible under a TEFRA State Plan option if the State had such a program, and who are enrolled in the Arkansas TEFRA-like demonstration.

In addition, sections 1916 and 1902(a)(14) relating to premiums and cost-sharing will not apply.

Your project officer is Ms. Melissa Harris, who can be reached at (410) 786-3397. Your project officer is available to answer any questions concerning the scope and implementation of the project described in your application. Communications regarding program matters, and official correspondence concerning the project, should be submitted to the project officer at the following address:

Centers for Medicare & Medicaid Services
Center for Medicaid and State Operations
Mail Stop S2-14-26
7500 Security Boulevard
Baltimore, MD 21244-1850
E-mail: mharris1@cms.hhs.gov

Should you have questions regarding this correspondence, please contact Mr. Thomas Hamilton, Director, Disabled and Elderly Health Programs Group at (410) 786-9493. We extend our congratulations on this approval and look forward to working with you further during the course of the project.

Sincerely,

/s/

Thomas A. Scully

Enclosures